LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 8121 | **DATE PREPARED:** Mar 14, 2001
BILL NUMBER: SB 561 | **BILL AMENDED:** Feb 22, 2001

SUBJECT: Medicaid and Uninsured Parents Program.

FISCAL ANALYST: Alan Gossard
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FUNDS AFFECTED: **GENERAL** — **IMPACT:** State
<u>X</u> **DEDICATED**
<u>X</u> **FEDERAL**

Summary of Legislation: (Amended) This bill establishes the Uninsured Parent's Program (UPP) within the Office of the Secretary of Family and Social Services to provide health insurance coverage to certain uninsured individuals. The bill provides eligibility requirements, including having an annual income of at least 26%, but not more than 100%, of the federal income poverty level. The bill provides that providers enrolled under the Medicaid program are considered providers for the UPP program. This bill also repeals the Hospital Care for the Indigent (HCI) program, except for the local property tax levy authorization. The bill also provides for funding of the Uninsured Parents Program, including proceeds from the HCI property tax levies. It also makes changes to the Medicaid Disproportionate Share Hospital payment structure.

Effective Date: July 1, 2000 (retroactive); January 1, 2001 (retroactive); July 1, 2001; January 1, 2002; June 30, 2002; July 1, 2002; July 1, 2003.

Explanation of State Expenditures: (Revised) This bill establishes the Uninsured Parent's Program (UPP) to provide health care to an anticipated 43,000 parents with incomes between 26% and 100% of the federal poverty level. (The eligibility requirements provided in the bill currently represent incomes ranging from $4,589 to $17,650 for a family of four.) The benefits included in the UPP program are inpatient and outpatient hospital services, physicians' services, laboratory and x-ray services, and emergency medical services. No new General Fund expenditures are anticipated. The program would require obtaining federal approval for an 1115 waiver in the Medicaid program. In addition, the program is not an entitlement. Eligibility parameters may be adjusted to reflect the costs of the program, the number of eligible individuals, and the available program resources.

Funding of UPP: The total expenditures for the UPP program are expected to reach $110.5 M annually by FY 2004. The program is not an entitlement program, but would be limited by the availability of funding. The bill provides for funding of the UPP program by (1) eliminating the Hospital Care for the Indigent (HCI) program, but devoting the proceeds of the HCI property tax levy to the UPP program; and (2) taking advantage of increased federal allowance for reimbursement under the Municipal Hospital Shortfall program.

These are funds that would under current programs be designated for hospitals. No new General Fund expenditures are anticipated.

The HCI program that currently provides emergency medical services for the indigent population is eliminated by the bill. The HCI property tax levy that currently funds HCI add-on payments is, instead, redirected to the State UPP Fund for use in funding the UPP program. The bill also provides for HCI levy reductions which amount to about $8 M statewide (15.1% of HCI levies that would otherwise exist) for 2003 and $16.3 M statewide (29.1% of HCI levies that would otherwise exist) for 2004 and years thereafter. In addition, since Motor Vehicle Excise Tax revenues and Financial Institutions Tax revenues are distributed to funds according to each fund's proportion of the total property tax levy, there would be a further $738,000 reduction to HCI funds statewide in FY 2003 and a $1.45 M reduction to HCI funds in FY 2004. [These amounts would, instead, be distributed to other local funds in proportion to their share of the total levy.] The total reduction in HCI funds available for the UPP program (from what would otherwise be distributed to the State HCI Fund) is $8.76 M in FY 2003 and $17.8 M in FY 2004. This would result in a total estimated funding available from this source (i.e., HCI property tax levy plus Excise and FIT tax) to be $49.4 M in FY 2003 and $43.3 M in FY 2004.

The second source of funds available for the UPP program are made available from a recent change in federal regulations that increase the upper payment limit to hospitals in the Municipal Hospital Shortfall program by 50%. The additional amounts are to be forwarded to the State UPP Fund through intergovernmental transfers and are anticipated to amount to about $23.9 M annually.

The total amount available from the two sources can be used as the state match for expenditures in the UPP program. The federal financial participation rate would be about 62% with the state share being 38%.

Annual growth in national health expenditures for hospital care and physician services is projected by the Health Care Financing Administration to be 5.6% to 5.8% by 2004. The most recent 3-year statewide average assessed value growth quotient for the HCI levy is about 5.1%. There is no anticipated growth in the dollars available from the Municipal Hospital Shortfall program. (Consequently, the aggregate annual increase in funds based on funding shares is about 2.4%.) However, according to the bill, program eligibility requirements may be adjusted if needed to reflect costs of the program and the available resources.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal financial participation in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Because of the HCI levy reductions mandated by the bill and since Motor Vehicle Excise Tax revenues and Financial Institutions Tax revenues are distributed to funds according to each fund's proportion of the total property tax levy, there would be a $738,000 reduction to HCI funds statewide in 2003 and a $1.45 M reduction to HCI funds in 2004. These amounts would, instead, be distributed to other local funds in proportion to their new share of the total property tax levy.

Distributions from local option income taxes to a county's general fund would also be affected by the HCI levy reductions since the distributions of the tax revenues are determined by a county unit's total property tax levy relative to all other units' levies. The total impact on county general funds, statewide, is estimated to be $667,000 in the first year and $1,213,000 in the second year of the program. These funds would instead be distributed to other taxing units within the affected counties.

State Agencies Affected: Family and Social Services Administration.

Local Agencies Affected: Municipal Hospitals; All taxing units.

Information Sources: Tim Kennedy (Hall, Render, Killian, Heath, and Lyman), (317) 633-4884; Kathy Gifford, OMPP, (317) 233-4455.